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Rick Fernandez  
General Manager

October 18, 2006

Dr. Robert Sawyer  
Chairman  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**RE: Proposed Amendments to ZEB Regulations**

Dear Dr. Sawyer:

It was a pleasure hosting you last August on your visit to AC Transit's East Oakland operating division, where you had the opportunity to ride and drive our fuel cell buses and cars, and tour our hydrogen energy station.

We have been strong partners with CARB, beginning in early 2000 when your agency supported our hydrogen development efforts with a \$5 million grant to begin our procurement of fuel cell buses. AC Transit has since been actively pursuing the development and commercialization of hydrogen fuel cell technology for the transit industry. We were one of the first two transit agencies in the state to be accepted as members of the California Fuel Cell Partnership (CaFCP). We raised over \$21 million in public grants and private contributions to build arguably one of the largest and most comprehensive fuel cell demonstration programs in the world.

Since early 2006, we've been successfully operating a fleet of three fuel cell buses and we now operate a fleet of seven Hyundai-Kia fuel cell cars (12 by June 2007); we've built and now operate two hydrogen fueling stations; we're developing plans to build a small solar-powered, high pressure electrolyzer; our mechanics are demonstrating small hydrogen fuel cell tools; and we have a comprehensive education and outreach program, anchored by a DOE-funded curriculum development project directed at introducing hydrogen science curriculum to East Bay teachers and students.

Of equal significance is the performance of our buses and the potential that their design holds the key to the success of this technology for the transportation industry. These buses are the most advanced in the world and are achieving more than double the fuel economy of diesel buses, while operating quietly and smoothly throughout the communities we serve. Our project has clearly put California in the lead with respect to the pursuit of commercialization goals, but there remain many obstacles to overcome to make this technology reliable, durable, and affordable.

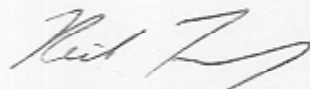
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To that end we have worked closely with your staff to develop regulatory guidelines and a practical approach to address the challenges ahead, while also pushing the envelope to expand as rapidly as possible. Recognizing the value of our existing fleet of fuel cell buses as the foundation for growing the size and scale of our demonstration program is an important first step in this effort. AC Transit has also broadened its alliance with other Bay Area transportation and air quality agencies to expand the scope of our effort to commercialize the technology for our industry. We've adopted a unified program and a strong regional team with Golden Gate Transit, the San Francisco Municipal Railway, San Mateo Transit District, Santa Clara Valley Transportation Authority, the Metropolitan Transportation Commission, and the Bay Area Air Quality Management District.

Your staff has been very supportive of our approach, working with us to understand the difficulties as well as the opportunities in the pursuit of this new technology. In addition to our own concerns, we've been acutely aware of issues raised by environmental organizations and transit agencies outside the Bay Area. To that end, your staff has appropriately modified its original proposal to address these concerns. We strongly endorse a consensus position that encompasses the key issues raised by the primary stakeholders, and we would encourage your Board to adopt your staff's most recent proposal.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rick Fernandez", with a stylized flourish at the end.

Rick Fernandez  
General Manager